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SUBJECT: TWO GOVERNING TEAMS IN HONG KONG?

REF: (A) HONG KONG 793 (B) HONG KONG 605 (C) HONG
KONG 129

Classified By: Consul General Joe Donovan for reasons 1.4 (b) and (d)

11. (C) Summary and comment: Central Government Liaison Office (CGLO) Research Department Chief Cao Erbao's January 2008 Party School journal article describing "two governing teams" in Hong Kong has recently surfaced to rekindle alarm bells here about "one country, two systems." The uproar may have more to do with inaccurate reporting and a desire by the pan-democrats to drum up participation for the July 1 march. We do not see a link with the reported "ten-point agreement" between the CGLO and the Hong Kong government (ref B); Cao does not even mention a role for Hong Kong delegates to national bodies. Whatever the facts, however, Hong Kong politics are now predicated on the belief that, since 2003, the Mainland has sought to expand its control of Hong Kong, allegedly on a model already achieved in Macau. Expressions of this kind of concern are not new, but they are growing louder which will prove a challenge to the government on July 1 and then later as Hong Kong considers its next stage of democratic reforms this fall. While polling data suggest the general public believe "one country, two systems" is working well, the public also clearly values a strong pan-democratic presence in LegCo as an advocate for democratic reforms. End summary and comment.

Cao Erbao: Old oil...

12. (C) As the news cycle on the rumored ten-point agreement between the Hong Kong government and Central Government Liaison Office (CGLO) was coming to an end (ref B), a previously-ignored essay in the journal of the Central Party School became the new cause celebre. CGLO Research Department Chief Cao Erbao, writing in "Study Times" in January 2008, described the existence of "two governing teams" in Hong Kong. The first is the Special Administrative Region Government (HKSARG), which "exercises the high degree of autonomy according to the Basic Law, by authority delegated by the Central Authorities." The second is the "team of cadres of Central and Mainland Authorities carrying out Hong Kong's work, which includes departments of the Central Government and their external organs with responsibilities in Hong Kong affairs or specializing on Hong Kong work; departments of the Central government responsible for other national affairs and relevant policies; and cadres in the Government and CCP Committees of provinces, cities and districts closely related to the Hong Kong SAR, who handle matters involving Hong Kong." These organs -- the Hong Kong and Macau Affairs Office (HKMAO) in Beijing; and the CGLO, Ministry of Foreign Affairs representative office, and People's Liberation Army garrison in Hong Kong -- have existed since the handover.

13. (C) Read in isolation, Cao's essay simply describes the status quo, in accordance with the Basic Law. His conception

of "two governing teams" starts as an explanation of the change in Hong Kong since the handover. In Cao's mind, the Hong Kong Government under the UK was part of the British Government, whereas after the handover, the HKSARG and the Central Government organs involved in Hong Kong are administratively distinct. Cao explains the division of responsibilities between the HKSARG (administering Hong Kong under the Basic Law) and the Central People's Government (SAR-central government relations, foreign affairs and defense, and interpreting the Basic Law), and does not propose any new powers for Beijing. The second team, Cao explains, "does not interfere with (bu ganyu) the affairs within the autonomy of the SAR."

¶4. (C) The article passed unnoticed but for a lone report in Sing Tao shortly after its publication. However, with the ten-point agreement filling headlines with concerns about the breakdown of one country, two systems, an Apple Daily news article and a South China Morning Post column by activist Christine Loh brought Cao's article back to light. Both these pieces fueled what became a public outcry with propositions that were either erroneous or at best extrapolations. Apple Daily's article erroneously reported that Cao was proposing "setting up another governing group" (Cao proposes no such thing; he sees the second team as in existence since the handover). Loh, meanwhile, linked Cao's conception of a "second governing team" to the discussion of an increased role for Hong Kong's National People's Congress (NPC) deputies and Chinese People's Political Consultative Conference (CPPCC) delegates in Hong Kong affairs, which was part of the rumored ten-point agreement (Cao never mentions either).

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...Poured on a Growing Flame

¶5. (C) Whatever Cao said or intended to say in his essay, its implications -- distorted, as noted above -- have added to a growing sense of alarm at the perceived erosion of Hong Kong's autonomy through encroachment by the Central Government. Our contacts uniformly cite the July 1, 2003 march, which saw 500,000 Hong Kong people take to the streets, as the watershed moment which convinced the Mainland it must take a more active role in Hong Kong to protect its equities. They allege Beijing has attempted to interference in Hong Kong's autonomy by:

-- Bankrolling parties like the Democratic Alliance for the Betterment of Hong Kong (DAB) to provide constituent services and to use election day polling data to direct supporters to particular electoral slates;

-- Bussing Mainland-based Hong Kong citizens back to Hong Kong to vote. Some contacts allege Beijing used these voters to propel the nominally independent Priscilla Leung to a Legislative Council (LegCo) seat in 2008;

-- Brokering a deal by which Heung Yee Kuk Chairman Lau Wong-fat chose not to contest the District Councils Functional Constituency seat (clearing the way for the DAB's Ip Kwok-him) in return for a seat on the Executive Council (ref A);

-- Establishing the ten-point agreement mentioned above, which grants Hong Kong's NPC deputies and CPPCC delegates a more active role in Hong Kong affairs, the CGLO more say in HKSARG government and advisory body appointments, and the HKSARG the ability to propose nominees for the CPPCC. The government, most recently Chief Executive Donald Tsang during a LegCo question-and-answer session May 14, and Beijing have steadfastly denied the existence of this deal; and most recently,

-- Ordering the HKSARG to prevent Diaoyu Islands activists from using a fishing vessel to visit the disputed territory, on the pretext that the craft are not appropriate for carrying passengers. Local activists, including pan-democratic leaders, allege the CGLO wanted to avoid harming newly-improved Sino-Japanese relations. Some activists report the CGLO even offered funds to allow the activists to depart from Taiwan rather than Hong Kong.

16. (C) The most active critic of Cao's article is Ching Cheong, a Hong Kong journalist for Singapore's Straits Times formerly imprisoned on the Mainland under highly questionable charges of espionage. Ching has written commentaries and spoken at several fora regarding the Cao article, regarding it as a violation of Basic Law Article 22 ("No department of the Central People's Government...may interfere in the affairs which the Hong Kong Special Administrative Region administers on its own in accordance with this Law.") Pan-democratic leaders including Martin Lee told the U.S.-China Economic and Security Review Commission the article is another indicator of a growing encroachment on Hong Kong by the CGLO. Lee contended the government was trying to conceal the fact that the HKSARG has become a puppet administration. Civic Party Vice Chair Alan Leong, however, felt the government welcomed the pan-democrats' raising questions that might cause the CGLO to hesitate, because the HKSARG does not wish to be merely a puppet government. Former LegCo member and NPC delegate Allen Lee argued in a Ming Pao column that Cao was acting under instructions, and his article represents an attempt to bring out into the open what CGLO has been doing under the table for some time. If there really are two ruling teams, Lee argues, then the HKSARG is a puppet administration, because the bottom line is that the Tsang administration is not the one calling the shots.

17. (C) More centrist observers have been less definitive, and some have even suggested that putting the CGLO's much-debated covert activities into the public domain would at least make CGLO's role transparent. Neither Chinese University Professor Ma Ngok nor SynergyNet scholar Ray Yep ascribed much importance to the article itself. Ma believes that the central government lacks the expertise to run Hong Kong on a day-to-day basis, and the question is where it will draw the line in taking an active role. Yep argued that Beijing would prefer to exercise its influence through proxies, but remains nervous that this indirect method is not working. Yep sees Beijing as unhappy with CE Tsang's preference for career civil servants in his cabinet rather than Beijing's people.

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In that regard, the NPC deputies and CPPCC delegates are more reliably pro-Beijing, and Yep thus sees a Beijing motive for the alleged ten-point agreement expanding their role. At a recent Civic Party (CP) forum on the Cao article, CP member Paul Zimmerman suggested it might be better for Hong Kong to have CGLO's currently ambiguous role made transparent, although he was not clear about why CGLO would admit it was doing anything other than performing its normal functions now. Yep agreed with Zimmerman to the extent that right now there are many people claiming to represent Beijing, and it might be good to define "who else" has that power besides the CGLO and HKMAO. Even Allen Lee argues the Communist Party should be allowed to register in Hong Kong openly and to contest elections on an equal basis with other parties.

18. (C) The "official" answer from the pro-Beijing camp has largely centered on describing Cao as a relatively junior official and his essay as a think piece done as "homework" for his course at the Central Party School. Basic Law Committee member Lau Nai-keung wrote in his South China Morning Post column that Cao had described nothing more than the existing institutional arrangements between the HKSARG and the central government, and accused the pan-democrats of trying to make an innocuous article into a political issue. Central Policy Unit (CPU - the HKSARG's in-house think-tank)

Senior Researcher Shiu Sin-por conceded that that, since 2003, there has been a general change by the central government from a selective to "somewhat proactive" approach towards Hong Kong. That said, Shiu also believes the article was Cao's "homework," and that he probably didn't expect anyone in Hong Kong would read the article. Like SynergyNet's Yep, Shiu seemed to think that Beijing would prefer to use proxies, describing a body of "about a thousand" Hong Kong people who serve on provincial-level People's Political Consultative Councils whom Beijing might enlist in "united front" work. Since these people are Hong Kong citizens, Shiu sees no conflict with the Basic Law.

The Macau Connection

¶9. (C) In arguing that the central government seeks to increase its level of control over Hong Kong, a number of observers have suggested that Beijing has already established such a parallel governing structure in Macau. This argument holds that Beijing was initially content to allow the relatively successful Edmund Ho run Macau on his own. However, the Ao Man-long corruption scandal shattered Beijing's faith in Ho, and the central government has since taken a more active role in Macau's governance. At a forum convened by the Civic Party, Willy Wo-lop Lam contended that there is already a team of cadres operating openly in Macau in parallel to the Macau SAR government. (Comment: We will report Macau observers' views on this issue septel; in general they do not believe the Mainland is directly administering Macau. End comment.)

Comment: Chasing Ghosts

¶11. (C) Whatever the elusive objective truth, the Hong Kong body politic has accepted the notion that Beijing is concerned by what it sees transpiring in Hong Kong and is increasing the quantity and quality of its intervention. We see three factors as indicative of the public's response. First, observers predicted that Beijing's setting a timeline for universal suffrage would remove the democracy issue from the 2008 LegCo campaign, resulting in the pan-democrats losing seats to a pro-Beijing camp that delivered better grass-roots constituent services. However, the only seats the pan-democrats lost in 2008 were those for which they either gave up or ran an unpopular incumbent. This suggests that the general public still supports politicians willing to push for democratic development and challenge the establishment. On the other hand, Hong Kong University Public Opinion Project polling data from April 23 (several days after the Cao article broke as a story) shows popular confidence in "one country, two systems" at 72.9 percent, which is in the upper half of the ten-point range shown in the last few years. The third, less precise indicator will be the banners under which people take to the streets on July 1. With the exception of a vocal Falun Gong contingent, July 1 marchers tend to avoid openly criticizing the Mainland government. Should that change this year, it would be a significant development.

DONOVAN